

# Mumbai's Development Mafias: Globalization, Organized Crime and Land Development

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## Abstract

*For over a decade, researchers have analyzed the effects of liberalization and globalization on urban development, considering the local political implications of shifts at the national and global scales. Taking the case of Mumbai, this article examines how the past 15 years of political reforms in India have reshaped property markets and the politics of land development. Among the newly empowered actors, local criminal syndicates, often with global connections, have seized political opportunities created by these shifts to gain influence over land development. The rise of Mumbai's organized criminal activity in the 1950s was closely linked to India's macroeconomic policies, with strict regulation of imports fuelling the growth of black market smuggling. Liberalization and deregulation since the early 1990s have diminished demand for smuggled consumer goods and criminal syndicates have since diversified their operations. With skyrocketing real estate prices in the 1990s, bolstered by global land speculation, the mafia began investing in property development. Supported by an illicit nexus of politicians, bureaucrats and the police, the mafia has emerged as a central figure in Mumbai's land development politics. The article examines the structural shifts that facilitated the criminalization of land development and the implications of mafia involvement in local politics.*

## Introduction

In the mid-1990s, property prices in Mumbai's business districts reached record levels, becoming, for a brief period in 1996, the most expensive real estate in the world (Nijman, 2000; Mukhija, 2003). Unleashed by a series of national-level industrial and monetary reforms, demand for residential and commercial property intensified among both local investors and global speculators. Yet because increased demand was met with constrained supply — due both to geographic limitations (Mumbai is an island city with few transit linkages to the mainland) and a regulatory context posing restrictions or disincentives on certain types of development — prices rose dramatically (Nijman, 2000; 2002; Bertaud, 2002). Responding to these market pressures, the local state began making certain highly valued lands available for development through a series of industrial land conversions, slum clearance schemes, and the de-reservation of certain public lands. Construction activities in Mumbai's island city and northern suburbs

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expanded, further bolstered by the growth of the finance industry, access to new sources of capital, and both funding and pressure from multilateral aid agencies. Although activity slowed somewhat after the mid-1990s peak, when some speculators left and real estate prices began to 'correct', both prices and demand have remained high and property development has emerged as one of India's and Mumbai's fastest growing industries (*Business Week*, 2005).

With construction crews becoming a common sight throughout the city in the late 1990s, two new shopping centres drew little attention when constructed in the Crawford Market area of South Mumbai, opposite the city's police headquarters. The Sara and Sahara Shopping Centres opened in 2000, joining a myriad of new shopping centres and retail establishments that had appeared in the area in the previous five years. It was soon learned, however, that the Sara and Sahara Shopping Centres had been built illegally by the D-Company, the city's largest and most notorious mafia organization, on land belonging to the state government's public works department. As the details of the case came to light in mid-2003, it was learned that representatives of the D-Company had purchased the property from a small-scale businessman who had been illegally squatting on the public land. The D-Company then acquired the requisite building permits from the municipal building department, with the payment of hefty bribes, and constructed the buildings with few obstacles. As more information about the D-Company's involvement in the shopping centre project surfaced, it became apparent that the mafia organization had been running a highly profitable property development business since the mid-1990s, constructing retail and residential buildings in other parts of Mumbai, as well as in Dubai and Karachi. Further investigation revealed that the D-Company was not the only criminal organization involved in such activities at the time, but that all of the city's major organized crime groups had involved themselves in real estate and property development.

This article examines the conditions that enabled Mumbai's large, well-financed mafia organizations to move into land development, joining the throngs of financiers and developers who have invested in the city's lucrative property markets and construction industry since the mid-1990s. With Mumbai's large organized crime groups (OCGs)<sup>1</sup> previously focused on 'traditional' illicit activities, such as gold and consumer goods smuggling, narcotics distribution, and extortion and contract killings, this article follows their movement into the newly profitable field of land and property development. Tracing the rise and transformation of Mumbai's major OCGs since the 1950s, this article argues that their recent entrance into land and property development is a product of the liberalization and globalization of the Indian economy — including the increasingly global reach of Mumbai-based organized criminal activity; the national-level adoption of structural adjustment reforms; and efforts to position Mumbai as a regional, if not global, financial hub. These multiscalar political and economic shifts, this article illustrates, facilitated the movement of Mumbai's major OCGs into this growth sector. Yet certain characteristics of the OCGs themselves have also been essential to this shift, including their increased access to large sums of capital, their embeddedness in local communities, and their formal and informal linkages to political party organizations. As Mumbai's criminal organizations transformed from paternalistic local crime bosses, referred to in India as *goondas* or *dadas*, into well-financed, globally reaching organizations, they

1 It should be acknowledged that there is a large literature in criminology on the distinctions between mafias, mobs, gangs and organized crime syndicates (see Ball and Curry, 1995, for further discussion of this literature and distinctions in the terminology). Gangs generally refer to less organized groups of youth, while mafias, mobs and syndicates typically describe various organizations with older members and more formal structures. I use these terms practically interchangeably here, due to their rather loose usage in the Mumbai context. However, to avoid definitional pitfalls, I generally use the term OCGs to describe the various types of criminal actors who comprise some sort of organized unit engaged in illegal activities.

were positioned to seize the political and economic opportunities associated with liberalization and globalization and emerge as an influential force in Mumbai's land development sector.

This analysis addresses a void in the research on the governance practices that both emerge from and contribute to global urban restructuring. Although recent research on urban property relations has made significant contributions to understanding the political processes that shape land markets, it has tended to limit its focus to the role of institutional actors and local elites, neglecting the influence of informal, or illicit, governance practices. Meanwhile, the literature on informal governance has identified many of these practices, but has generally failed to situate them in the broader context of urban restructuring. This article seeks to address both omissions by examining the influence of informal governance and criminal activity on the urban property markets of a globalizing city.

## The informal governance of urban property relations

This research seeks to contribute to Logan and Molotch's (1987: 13) efforts to 'construct a sociology of cities on the basis of a sociology of urban property relations'. Illustrating that land markets are not determined by value-neutral preferences, but rather by political machinations, Logan and Molotch's classic work brought attention to 'the specific processes, the *sociological* processes, through which the pursuit of use and exchange values fixes property prices, responds to prices, and in so doing determines land uses and the distribution of fortunes' (*ibid.*: 17, emphasis in original text). Building upon this contribution, Susan Fainstein's examination of property relations in New York and London in the 1980s and 1990s identified the specific strategies employed by each city's 'development industry' to promote property development at the expense of other objectives of local government. Drawing heavily from Saskia Sassen's global city thesis and situating changes in New York's and London's property markets in the increasing dispersal of production activities and concentration of producer services, Fainstein makes the important connection between local political action and the strategic management of global economic activity. Her analysis illustrates that it was not merely transformations at the global and national scales that produced the contemporary character of the global economy, but also strategic decisions at the urban scale, particularly those related to property development, that facilitated the concentration of global city functions in these particular locations during this period.

Sassen's research itself helps illuminate some of the local political actions that shape land use in these locations, including the informal political actions and illicit activities that affect the appropriation of urban space. Although not central to her argument, Sassen's analysis of the conditions of Tokyo's inner city identifies the influence of 'the Japanese version of Western-style gangsters or Mafia, the "yaksuka"' in the maintenance of Tokyo's blighted districts, within which they manage labor pools of informal, largely immigrant workers (Sassen, 2001: 303, 282). Yet other than this brief mention of the influence of local criminal actors on the social geography of Tokyo's inner city, the sociological study of property relations in the context of global restructuring had tended to neglect analysis of informal and illegal activities, focusing instead on the activities of growth coalitions, local elites and transnational institutions.

Meanwhile, the literature on informal governance, primarily in cities on the global periphery, has failed to connect analyses of these informal, but essential, practices to broader economic and political shifts. Such studies, appearing in anthropology and political science in the early 1970s, made an important contribution by identifying alternative sources of power that exist among the urban poor and rural peasantry of highly stratified societies who have limited access to formal mechanisms of power (Lemarchand and Legg, 1972; Scott, 1972; 1976; Handelman, 1975; Frankel, 1980).

Rooting their analyses in classic sociological theories of exchange, this research identified the petty criminals who act as brokers between the poor and these formal mechanisms, providing land, services, information and security in exchange for money and political patronage. Quoting from Jeremy Boissevain's study of patronage in Sicily, Lemarchand and Legg (1972: 153–4) explain: 'The social broker places persons in touch with each other directly or indirectly for profit. He bridges gaps in communication between persons, group structures, and even cultures. A broker is then a professional manipulator of people and information to bring about communication'. Howard Handelman's (1975) study of political mobilization in Santiago's squatter settlements elaborates on some of these activities. 'Because the campamento is somewhat removed from the existing sociopolitical order and lacks basic municipal services, its inhabitants develop their own civic institutions to deal with a variety of daily problems — maintenance of law and order, criminal justice, housing, local administration and the like' (*ibid.*: 40). Existing on the boundaries of legality, these civic institutions are often embedded in broader criminal structures. As Diane Singerman (1995: 213) notes, those in the sha'bi communities of Cairo 'are not always successful in negotiating the fine lines between pragmatism, necessity, opportunism and crime. Men and women suffer the consequences of being caught between vicissitudes of government regulation and the unwritten rules of the informal system'. While they have revealed the informal arrangements that define urban governance, such studies have generally failed to identify the interactions between these arrangements and the broader property transformations underway in these cities.

This article argues that the process of urban restructuring underway in Mumbai since the early 1990s has facilitated the movement of Mumbai-based OCGs into land and property development, resulting in their increased influence over urban governance and local property relations. As economic liberalization and the globalization of consumer markets suddenly reduced demand for illicit consumer goods, OCGs began abandoning the smuggling activities that had defined their organizations for the previous four decades. Opportunities for illicit land development, being created, in part, by the same set of political and economic reforms, enabled Mumbai's large criminal organizations to establish property development branches and construct shopping centres, commercial establishments and residential buildings. Aided by their connections to local criminal organizations, embeddedness in political party organizations, and participation in increasingly global organized crime networks, OCGs had the access to the financial and political resources necessary to compete in this increasingly lucrative sector. Although OCGs were not the only set of actors to have seized the opportunities created by these shifts, they have come to represent a particularly significant force, helping to shape the city's land use practices and development context.

## Criminal origins: land, liquor and gold

Although it appears that well financed mafia organizations only recently began investing in Mumbai's property markets, most of the city's major OCGs actually have their origins in land development activities, particularly in the development of slums and squatter settlements. Squatters have been taking up residence in Mumbai's open spaces and on public lands, building homes from found objects and discarded building materials, since well before independence. But slums and shantytowns only began proliferating in the late 1950s and early 1960s, with the help of 'slumlords' and local goondas. During this period, several paternalistic community leaders acquired local power by providing housing and basic services within the city's densely populated squatter settlements. Meanwhile, they were able to establish large criminal enterprises by engaging in the production and distribution of certain illicit or cost-prohibitive items, including alcohol, gold and luxury consumer goods, due to a highly restrictive regulatory context at the national level and access to the city's ports and local shipping industry.

With the central government pursuing a strategy of state-supported industrial development in the decades following independence, Mumbai's population grew rapidly, as the city's textile mills and other expanding industries were attracting workers from all over India. The worker housing built by factory owners and public authorities before independence ultimately proved inadequate, yet no new housing was being constructed by either the public or private sectors (K. Sharma, 2000; D'Monte, 2002). In addition to limited public resources, the failure to provide adequate housing in this period was a deliberate decision made by 'rational' planners to limit the city's size. These decisions did not curb migration, however, but resulted in the proliferation of slum housing and squatter settlements. In the decade between 1971 and 1981, for example, Mumbai's population grew by 2.27 million people and the population residing in slums increased by 2.25 million (Sharma, 2004).

Recognizing an opportunity, enterprising slumlords divided unused public and privately owned land and sold or rented out plots to new migrants. One entrepreneur who engaged in land development in this period was Varadarajan Mudaliar, known locally as Vardhabhai. By the early 1960s, Vardhabhai had built a powerful criminal organization based on the illicit production and sale of alcohol in the industrial squatter settlement of Dharavi.<sup>2</sup> Dharavi emerged as the centre of illicit alcohol production and distribution soon after the state of Bombay prohibited alcohol production in the late 1940s. Before this time, alcohol had been produced legally in Mumbai, both manufactured commercially and brewed traditionally by members of the Koli Caste in the marshy lands of Dharavi. Once prohibition was declared, commercial alcohol production ceased and the Kolis soon faced competition in the production of illicit liquor from migrants from the southern state of Tamil Nadu, many of whom had come to work in Dharavi's leather tanneries (K. Sharma, 2000). By the early 1960s, this group of Tamil liquor producers had emerged as a powerful criminal force under the leadership of Vardhabhai. For over 20 years, Vardhabhai ran the city's first and most powerful mafia organization out of Dharavi, which diversified through land dealings and the establishment of gambling dens and brothels throughout the city. Reportedly a paternalistic community leader, Vardhabhai sponsored religious festivals and established informal governance institutions in Dharavi (K. Sharma, 2000; IPCS, 2005).<sup>3</sup>

Because the state had no other policy in place in this period to house this growing population, public officials chose to ignore the proliferation of squatters on public lands. Furthermore, Vardhabhai and other local goondas worked closely with local administrators to ensure this policy vacuum by registering the new residents to vote for local politicians and paying bribes to police and officials in the Bombay Municipal Corporation (BMC) to protect the liquor business and growing squatter settlements. Describing the role of Vardhabhai's organization in slum development and the growth of Dharavi, a Dharavi-based social worker explained:

In Mukund Nagar [a settlement in Dharavi] Vardhabhai's right hand man, SK Ramaswamy was in charge . . . He and his men were in charge of land grabbing and selling plots in this area. They would 'catch' the plots and build huts with gunny bags. They would sell huts for 5,000 to 10,000 rupees. The BMC made a lot in hafta [bribe] payments and worked closely with the goondas.

In this manner, squatter settlements proliferated through the city.

As Dharavi expanded, so did Vardhabhai's organization, as it helped residents gain access to utilities and basic services. Not only in Dharavi, but throughout the city,

2 Today Dharavi is a 535-acre residential and industrial squatter settlement, commonly referred to as 'Asia's largest slum'. Much of the primary research for this piece focuses on Dharavi.

3 Vardhabhai is also the subject of several *Godfather*-like Hindi and Tamil-language films and has attained mythical status in the Tamil community.



goondas worked closely with municipal officials to establish illegal water and power connections, acquire ration cards for food and cooking gas, and get people out of jail and fines erased (SPARC, 1998; Benjamin, 2005). A long-time activist explains how water was accessed in Dharavi at this time:

They had to pay for water even though it was being given for free by the BMC. Goondas had a water tap in Kings Circle [an area two kilometers from Dharavi] and women would get up at four in the morning to get the water and carry it back. Getting water took five or six hours and they had to pay money for it.

Aware that the municipality had not set up a tap in Dharavi, Vardhabhai's men appropriated the closest tap in King Circle and charged residents for this basic service. Neglected by formal governance institutions, Dharavi residents would not have had access to water without these enterprising, though hardly altruistic, goondas.

As has been well documented by researchers identifying similar patron–client networks in other locations, the ambiguity resulting from a neglectful state, corrupt enforcement, and otherwise powerless urban residents makes it less useful to consider these illegal acts in moral terms (Singerman, 1995; Benjamin, 2000). Rather, such acts are situated within a broader set of survival strategies that depend — due to their dangerous and high-risk nature — on deep embeddedness in family and community networks. Although the relationships between patrons and clients are often inequitable and exploitative, goondas provide essential services in the absence of other, 'legitimate' alternatives. In exchange for these services, the criminal organizations strengthen their ties to both community networks and formal governance and political institutions. Without Vardhabhai's deep connections in Dharavi, he would not have been able to transform his bootlegging business into a wide-reaching, diversified criminal organization.

Changes at the national scale also facilitated this shift. The passage of the Gold Control Act and other import barriers in the early 1960s soon led Vardhabhai's organizations into new enterprises and resulted in the emergence of new OCGs. After back-to-back wars with China and Pakistan, the Indian government introduced limitations on gold imports in an effort to preserve valuable foreign exchange in the midst of economic stagnation (Naylor, 1996). Additionally, in order to protect India's fledgling electronics industries, a 300% tax was levied on imported electronic goods, along with other taxes and tariffs imposed to support a broader strategy of import substitution (Rudolph and Rudolph, 1987; Charles, 2001). These changes occurred during a gradual decriminalization of alcohol, and Vardhabhai and other bootleggers simply shifted their operations to satiate the ever-present demands for gold and imported consumer goods.

New syndicates, organized under the leadership of Haji Mastan and Yusuf Patel, also arose to supply these items (Najmi and Jathar, 2003). With bribes paid to customs officers, illicit cargo, primarily from Dubai (nicknamed the 'smugglers' supermarket'), easily passed through Mumbai's ports (Charles, 2001). Government corruption and illicit networks with elected officials and bureaucrats were required to facilitate these massive smuggling operations. Vardhabhai's gang reportedly had strong backing from the Congress Party until his arrest in the mid-1980s (K. Sharma, 2000; Charles, 2001). Meanwhile, Mastan, who reportedly made over \$25 million, in gold smuggling, launched his own political party in the mid-1970s (Mehta, 2005).

As Vardhabhai's, Mastan's, and Patel's organizations arose or shifted operations to exploit the altered regulatory context and engage in more profitable smuggling activities, they typically abandoned the less profitable slum development and service delivery activities. Although they generally retained their connections to local communities and political networks, the basic service delivery activities that had defined their initial operations were gradually taken over by others. As these OCGs established elaborate criminal operations by the 1970s, they began to split from more localized crime bosses.

Although linkages likely remained between the two sets of actors, their organizations and activities eventually became functionally distinct.

## Political embeddedness and the emergence of global crime networks

In the late 1970s and 1980s, Mumbai's now powerful OCGs strengthened their ties to the city's political parties. As the political context became fragmented, with the Congress Party losing its single party dominance in this period, OCGs fortified their power by forming close associations with these new, predominantly ethnic, political movements. Meanwhile, due to police crackdowns in this period, the heads of the largest OCGs moved their base of operations out of India and, in doing so, expanded the geographic reach of their criminal enterprises. Linking now to increasingly global organized crime networks, Mumbai's OCGs had access to new sources of power and new forms of capital.

After a brief period of instability in the mid-1970s, following the 21-month suspension of democracy and police crackdowns by Prime Minister Indira Gandhi, referred to as the Emergency, Mumbai's smuggling operations came to be run by Afghan immigrants known as the Pathan Gang (Mehta, 2005). Climbing the ranks of the Pathan Gang in this period was Dawood Ibrahim, a petty criminal whose father was a constable in the Bombay Crime Branch. Dawood broke with the Pathan Gang in 1981, however, and began building a separate criminal organization, which he called the D-Company (Sharma, 1999; Mehta, 2005). Soon the D-Company surpassed the size and strength of both the Pathan gang and Vardabhai's organization. Continued police crackdowns in the mid-1980s, however, led Dawood to move his operations to Dubai, which was attractive both because of its central role in smuggling networks and absence (until recently) of an extradition treaty with India (Charles, 2001).

With the D-Company no longer in Mumbai, two new groups emerged to fill the void, including one led by Amar Naik and another by former D-Company member Arun Gawali (Sharma, 1999; Singh, 2002). Amar Naik's gang was established in the early 1980s, starting out as a group of local goondas, collecting protection money from street vendors, small-time bootleggers and smugglers. Around the same time, D-Company associate Arun Gawali split from Dawood and, together with other former-D-Company members, began building a powerful organization around extortion and contract killings. As alcohol had been largely decriminalized by this time, the city's OCGs had moved out of alcohol-related activities and more deeply into narcotics smuggling and contract killings. Organized crime activity in the 1980s was marked by turf battles and bitter gang rivalries between Naik's and Gawali's gangs and the D-Company, resulting in considerable inter-gang activity and street-level violence (Sharma, 1999; Singh, 2002).

The links between the political parties and the OCGs also grew stronger in this period, with the right-wing Shiv Sena accumulating power through local neighborhood and criminal networks (Lele, 1995; Hansen, 2001). Although Vardabhai and Mastan had well-known connections to political parties, the growing power of the right-wing Shiv Sena and other non-Congress factions in the mid-1980s raised the stakes of local politics and political leaders increasingly sought power and resources from OCGs (Hansen, 2001). The connections between organized crime and the Shiv Sena were particularly strong in the mid-1980s, as 'several well-established gangsters, major slumlords, and dadas ran on a Shiv Sena ticket' (Hansen, 2001: 99).

By the late 1980s, the Shiv Sena had seized the growing popularity of Hindu fundamentalism and began building a strong *Hindutva* movement through 'an efficient machine of cadres spread across Bombay's segmented underworld' (Lele, 1995: 2002). Meanwhile, mass layoffs in the city's textile mills supplied both the movement and the underworld with a seemingly endless supply of angry young men (Sharma, 1995). The

movement's deep entrenchment in Mumbai's neighbourhoods and slums became apparent when the city erupted in communal riots in December 1992 and January 1993. The first set of riots were initiated by Muslim youth on the night of 6 December 1992, just hours after Hindu fundamentalists destroyed the Babri Masjid, a north Indian mosque on land believed to have deep Hindu significance. A month later, rival gangs, with the support of political parties and the local police, carried out a more orchestrated series of attacks, disproportionately targeting Muslim homes and businesses (Sharma, 1995; Hansen, 2001; Mehta, 2005). The riots were an extremely significant event, reshaping much of Mumbai's social and political landscape, including the composition and activities of the city's major OCGs.

Three months later, in what was seen as a retaliation for the January riots, a group of primarily Muslim men, most associated with the D-Company, carried out a series of 15 coordinated bomb blasts in hotels, corporate offices, and public spaces across Mumbai, killing more than 300 people. The ammunition and arms used in the attacks were smuggled into India through the D-Company's smuggling networks, allegedly assisted by a Pakistani intelligence unit (Hansen, 2001; Varma, 2004). In the intervening years, several high-ranking D-Company members would be extradited and convicted for the bombings, although Dawood Ibrahim, the alleged perpetrator, was never arrested. The blasts were viewed as a show of Muslim force in the city, a response to years of growing Hindu militancy. As historian Thomas Blom Hansen (2001: 125) writes '“Don't mess with us” was the message allegedly sent by the legendary Dawood Ibrahim, now elevated to the status of stern godfather, along with his gang, on behalf of the Muslim community'.

Around this time, Chhota Rajan, a chief Hindu lieutenant of the D-Company, split with Dawood and started a new criminal organization, based out of Kuala Lumpur (Raghavan, 2003). Although Rajan announced that his departure reflected his opposition, as a Hindu, to the March bombings, the D-Company attributed the split to older intra-gang rivalries (Mehta, 2005). Emerging as the city's fourth major OCG — alongside the D-Company, Amar Naik's and Arun Gawali's gangs — Rajan's organization spread from Southeast Asia into South India and Mumbai, focused primarily on drug smuggling and contract killings (Singh, 2002).

Extended now from the Persian Gulf to Malaysia, and with linkages identified in London, Johannesburg, and New York, the strength of the city's large OCGs resulted not only from their ties to political parties and embeddedness in antagonistic religious communities, but also in their increasingly global reach (Varma, 2004). As has been documented by scholars of organized crime and street gangs, criminal networks, like many enterprises, are becoming transnational, as the institutions established to facilitate the globalization of the formal economy have been appropriated by purveyors of the informal economy (Singh, 2002; Papachristos, 2005). Supported, in part, by systems to ease financial transfers and goods shipments by foreign investors and non-resident Indians, Dawood has been able to carry out Mumbai-based activities from Karachi, while Chhota Rajan can run his Mumbai operations from Kuala Lumpur (Charles, 2001; Varma, 2004).<sup>4</sup> Meanwhile, by spreading their operations over a broad geographic area and diverse activities, Dawood and Rajan have acquired the resources to build even stronger organizations. Mumbai's OCGs have long had connections outside of India, including the use of smuggling trade networks with Dubai since the 1970s, the involvement of local gangs from Afghanistan in the 1980s, and the alleged involvement of Pakistani security in the 1993 bomb blasts. But the city's OCGs have built increasingly global organizations since the early 1990s, with the support of digital technologies and a more sophisticated global financial infrastructure.

4 At the time of the 1993 bomb blasts, Dawood Ibrahim was living in Dubai. But due to changes in UAE's extradition laws and other difficulties Dawood faced in Dubai, he is believed to have since moved to Karachi. The Pakistani government, however, denies this claim and his whereabouts remain officially unknown.



## Economic liberalization and the criminalization of land development

By maintaining deep ties to local communities and political party organizations, and building new linkages to global criminal networks, Mumbai's large OCGs were poised to exploit the opportunities created by the economic reforms of the 1990s to invest in the city's burgeoning property development sector. Squeezed out of smuggling activities by a newly liberalized trade context, opportunities for land development were emerging just as they were seeking new areas for investment. With the use of violence and payment of bribes, OCGs became implicated in the development of certain high-profile properties and established highly profitable property development operations.

Although most political economists date the first phase of India's gradual and inconsistent economic liberalization and integration in the world economy to around 1975, when the central government began deviating from its long-held import-substitution strategy, the reformed regulatory context did not begin to affect the activities of Mumbai's OCGs until the early 1990s. Market reforms could be discerned in the 1970s, but foreign imports remained restricted and domestic industry remained highly regulated throughout the 1980s (Denoon, 1998; Corbridge and Harriss, 2000; Nayar, 2001; 2006). More deliberate reforms were enacted in the mid-1980s, initiating modest industrial deregulation and allowing some technology imports. Most significant in this period, however, was an *ideological* shift regarding national development, signalled by the young, cosmopolitan Prime Minister Rajiv Gandhi 'proclaim[ing] his faith in a new India that would "seek to do a Korea"' (Corbridge and Harriss, 2000: 150–1; Nayar, 2006). Despite a greater openness to capitalist growth, regulations remained largely intact throughout the 1980s and Mumbai-based illicit smuggling operations continued, facilitated by Dawood's base in the 'smugglers' supermarket' of Dubai.

In the early 1990s, the central government succumbed to pressure from the International Monetary Fund and initiated its most deliberate deregulation strategy yet, devaluing the rupee, reducing restrictions on imported consumer goods, and, most significantly from the perspective of organized crime, repealing the Gold Control Act (Bhagwati, 1995; Corbridge and Harriss, 2000; Nayar, 2006). As OCGs now faced competition from legal importers of consumer goods, they responded by further diversifying their activities, becoming involved in narcotics smuggling, film financing, and, most recently, property development. Although the D-Company began narcotics smuggling in the early 1980s, the participation of Mumbai's criminal syndicates in this area grew considerably in the early 1990s (Charles, 2001; Mehta, 2005). The deeper involvement of Mumbai's OCGs in narcotics resulted, in part, from political conflict in adjacent regions, including Afghanistan, Pakistan and Myanmar, which created porous borders and an endless supply of willing 'mules' in border regions (Charles, 2001). In addition to smuggling, OCGs took a more active role in the street-level distribution of narcotics, but the connections between the larger syndicates involved in smuggling and local goondas, who often employ children and family members to distribute narcotics, are likely weak (Charles, 2001). Drug use increased in Mumbai in this period, as did the incidence of contract killings and street-level violence (Mehta, 2005).

Film financing became another activity undertaken by OCGs in the early 1990s, particularly as OCGs sought 'white' ventures within which to launder illicitly acquired money (Appadurai, 2000; Gangar, 2003; Raghavan, 2003; Varma, 2004; Mehta, 2005). As mafia money entered Bollywood in the mid-1990s, organized crime bosses reportedly acquired influence over film scripts, musical scores, casting decisions and production schedules. Such influence, it has been noted, can be recognized in the content of films of this period, many of which focused explicitly on gangster themes (Gangar, 2003; Pendse, 2003). Several producers and financiers were arrested in this period for alleged links to D-Company lieutenant Chhota Shakeel and other mafia figures. Meanwhile, several high-profile murders took place in Bollywood, including those of producer Mukesh

Duggal and cassette maker Gulshan Kumar, both allegedly killed by members of the D-Company (Raghavan, 2003).

Yet with dramatically rising land prices in the mid-1990s, one of the mafia's most significant growth activities became real estate and property development. High land prices and a strict regulatory context, particularly open to corruption, helped create an opening for OCG investment in this area. The opening was seized in the mid-1990s when, after decades of industrial decline, the government began to allow the sale of hundreds of acres of former textile mill lands in the virtual centre of the city. As Darryl D'Monte describes (2002: 153), 'the loss of industrial jobs was a grim reality; prices of real estate were going through the roof; and the ugly face of the underworld was emerging. All three ingredients of this deadly brew were on the boil when it came to the sale of mill land in the notorious Khatau case'. In this case, Sunit Khatau, chairman of one of the city's oldest textile mills, wanted to sell a factory on prime real estate and relocate to a lower-value plot to the north of the city.<sup>5</sup> Taking his case to the government, the sale was approved, provided that the labor union gave its consent. Recognizing that the union president would not agree to the sale, Khatau employed the help of mafia leader Arun Gawali to engineer a union coup and install a more 'sympathetic' president. With a new union president in power, Gawali helped gather the requisite worker support to approve the sale. For his part, Gawali was allegedly promised 5% of the sale price of the land — estimated to fetch as much as \$100 million due to the timing of the sale at the height of Mumbai's land boom (D'Monte, 2002).

Once the land was approved for sale, Dawood reportedly struck a deal with Khatau to purchase the land for \$90 million. Before the sale was finalized, however, Sunit Khatau was shot while sitting in the backseat of his car. The assassins managed to escape, while Khatau died on the way to the hospital. It is widely believed that the murder was ordered by Amar Naik, anticipating the power Gawali's gang would acquire if the sale went through and he received his cut of \$4.5 million. Although Naik was never arrested for the murder, he was killed in a police 'encounter' in 1996.<sup>6</sup> An editorial in the *Times of India* three days after Khatau's murder mused:

At one level, the Khatau murder can be viewed as a fall out of the continuing war between Bombay's two main ganglords . . . At a deeper level, the incidents reflect the lack of a rational land use policy in a city where archaic laws have pushed up real estate prices to unrealistic heights. The contentious issue of the sale of mill lands is linked to the absence of such a policy . . . In the current climate of economic liberalization, which calls for the upgrading and modernization of the ailing textile industry, millowners desirous of raising funds for this purpose must provide adequate compensation to workers. The tragic murder of Sunit Khatau demonstrates that relying on dubious elements to achieve such aims carries too heavy a price (quoted in D'Monte, 2002: 160).

An unsuccessful assassination attempt was also made on the union president who worked with Khatau and Gawali to secure union support for the sale. A longtime worker advocate who had fought against the sale of Khatau and other mill lands was assassinated in January 1997. Three assassins associated with Chhota Rajan were eventually convicted for the advocate's murder (D'Monte, 2002). Because of the murders and alleged mafia involvement, the government eventually nullified the sale of the Khatau Mill. The union, mill owners and government are still fighting the case in court.

- 5 Khatau's efforts to relocate the textile operations were representative of many mill owners in this period that shifted from the weakening textile industry to the more lucrative land development sector. This shift was facilitated by the particularities of Mumbai's political regimes, comparable in certain ways to New York's property development industry discussed by Fainstein (2001).
- 6 The term 'encounter' is widely understood to be a euphemism for assassinations carried out by police officers against violent criminals for whom convictions are unlikely (see Mehta, 2005, for further discussion of this issue).

The implication of the D-Company, Chhota Rajan, Arun Gawali and Amar Naik — all of the city's major OCGs — in the Khatau case, illustrates the breadth of mafia involvement in the preparation, sale and development of potentially valuable lands in Mumbai. While financial records and other systematic data on their involvement are difficult to collect, anecdotal evidence suggests that the development activities of Mumbai's OCGs include the payment of bribes and permit fees, the use of violence and threats, as well as the use of 'black' money to finance land acquisition and property developments, including the construction of shopping malls, residential buildings and hotels (Raghavan, 2003; Kumar, 2005; Sen, 2005).

Although it is similarly difficult to quantify the power OCGs have acquired over the city's property relations, it is apparent that they have garnered considerable influence in this industry. When details about the D-Company's involvement in the Sara and Sahara Shopping Centres began to surface in 2003, it became clear that the OCG had acquired ownership in dozens of properties throughout the city through the 'banami' method, by which land is purchased in the name of a third party (*Daily Excelsior*, 2004; Sen, 2005). This method of acquisition has made it difficult to catalogue the D-Company's property investments, or prosecute in the case of suspected criminal involvement. Chhota Rajan, however, has acquired properties in the name of family members, making it relatively easier to trace his organization's landholdings. Rajan's gang reportedly owns three construction companies in and around Mumbai, controlled by his wife, his brother, and brother-in-law (Sen, 2005).

Along with the increased participation of OCGs in this area has come the greater use of violence. Since the mid-1990s, there have been several high-profile murders in the construction industry, implicating members of all of the major OCGs. In a high-profile case in the mid-1990s, local developer Pradeep Jain was killed in his north Mumbai office after he allegedly refused to sell a plot for the quarter of a million dollars demanded by Dawood's brother Anees Ibrahim (Vora, 2006). As the wealthiest and most global of the city's major OCGs, the D-Company and Chhota Rajan appear to have become more directly involved in property development activities than the others. The organizations of Arun Gawali and Amar Naik, however, have also established close associations with builders since the mid-1990s, assisting in extortion and contract killings and pressuring tenants and builders to support development schemes (D'Monte, 2002; Raghavan, 2003; *Chennai Online*, 2006). According to crime researchers, property development has been one of the most profitable activities for each of these organizations, and profits acquired through Mumbai's lucrative real estate markets have been used to finance many of these organizations' other activities (Sharma, 1999; Singh, 2002).

## Discussion: the implications of Mumbai's development mafias

In the mid-1990s, Mumbai's large, increasingly global OCGs emerged alongside a broader set of actors to gain greater influence in the property development industry. Relying on deep connections to political party organizations and other local elites, including Bollywood producers and actors, they built powerful organizations able to overcome regulatory barriers and prohibitively high land prices. Their activities were supported by Mumbai's strict regulatory context, which limited opportunities to develop property through purely legal means. But rather than being passively affected by regulations, Mumbai's OCGs appear to be shaping this context, pressing for the continuance of certain restrictive barriers on legal development. Meanwhile, the involvement of both OCGs and local goondas in land politics has helped support the state's efforts to clear land and pursue its own development objectives. Amidst a slew of state-sponsored urban renewal schemes, initiated to bolster Mumbai's global standing, newly supportive relations between the state and OCGs appear to be reshaping the city's development context.

Justified on the grounds of turning Mumbai into a clean, efficient, 'world class' city on the model of Asia's other commercial capitals, a spate of infrastructure and development projects have been launched in Mumbai since the mid-1990s. To support these efforts, the central government initiated the \$11 billion Urban Renewal Mission in 2005, sending an as yet undetermined amount of funding for redevelopment in the commercial capital. Meanwhile, the World Bank has made significant investments in roads and railway construction over the past decade, while the state government has financed the construction of office space, facilitated the sale and development of converted industrial lands, and carried out slum redevelopment schemes and transportation projects. In an effort to intensify such efforts, the state government assembled a taskforce of local elites and civil society leaders to prioritize and plan for land development, housing, and economic development activities to improve the city's global standing and 'make Mumbai a world class city by 2013' (State of Maharashtra, 2004).

Endorsing certain infrastructural, commercial and residential projects as necessary to improve the city's competitive position, the Taskforce, along with representatives from the World Bank and numerous economists, has identified the local regulatory context as a barrier to development (Bertaud, 2002; Nijman, 2002; State of Maharashtra, 2004). With the enforcement of regulations and the granting of exemptions concentrated in the hands of government bureaucrats, local regulations, it is widely acknowledged, have become open to abuses of power (Mahalingam, 1998; Narayanan, 2003; Prabhu, 2005). According to housing activist Chandhrashekhar Prabhu (2005: 25), 'The placing [of land] under reservation and the removal of the same became a major source for the politician to make money. Any favor to any individual or group could be doled out across the table, for a hefty amount of bribe'. High land prices, paired with the government's non-transparent land use laws and opportunities for corruption, have helped facilitate the entrance of OCGs into this area of investment. Consequently, despite mounting pressure to reform or repeal certain regulations, the regulations most open to abuses of power have been maintained.<sup>7</sup> In a context dependent upon close relations between political parties and the city's major OCGs, the legal development of land remains remarkably arduous or, in some cases, impossible. The city's major OCGs have effectively utilized violence, threats and bribes to secure permits and overcome regulatory barriers, where non-criminal developers may otherwise be halted. Just as restrictions on alcohol production facilitated the emergence of Mumbai's 'liquor mafias', and tariffs and regulations on imported gold and consumer items supported their transition to 'smuggling mafias', land use regulations have helped create Mumbai's 'development mafias'. As they have grown powerful in part because of their formal political connections, these groups have sought to retain the regulatory structure on which much of their economic activity depends.

The association of regulatory change and organized crime has been well documented. In some cases, the reduction or elimination of regulations, resulting in 'so-called self-regulating markets', can facilitate the rise or transformation of organized criminal activities (Skaperdas, 2001; Stiglitz, 2001: xv). The origins of the Sicilian mafia, for example, have been traced to the land reform policies that broke up feudal estates in the nineteenth century. After the existing political structure was dismantled, mafia groups arose to meet demands for new forms of land protection and property dispute mediation (Bandiera, 2000). More recently, the collapse of governance institutions with the end of Soviet communism has brought about a transformation in Russian organized criminal activity (Anderson, 1995; Shelley, 1995). Although under communism, the 'red mafia' managed an extensive underground economy, supported by corrupt bureaucracies and heavily regulated markets, organized crime has hardly disappeared as these institutions

7 This is particularly true with respect to the Urban Land Ceiling and Reclamation Act (ULCRA) and the city's rent control laws. The Central Government has put considerable pressure on the state to repeal or reform these laws, and has tied release of the central government funds to the reform of these regulations. By spring 2007, both laws are on the verge of repeal, but political party opposition has stalled legislative approval.

have crumbled. Rather, it has grown more powerful as law enforcement mechanisms have been weakened and distribution systems have failed to provide basic services (Anderson, 1995; Shelley, 1995; Stiglitz, 2001). Moreover, Russian mafias — like Mumbai's OCGs — have bolstered their economic might by joining global criminal networks, which has improved their access to financial resources and the global trade in oil, arms, and narcotics (Shelley, 1995).

Meanwhile, as OCGs have been able to enter into Mumbai's lucrative land and property markets only through their close associations with bureaucrats and political parties, the state has become dependent on OCGs and goondas to carry out its own development objectives. Goondas have become instrumental to state-sponsored schemes, particularly the state's efforts to dismantle squatter settlement and hawker collectivities. In order to fulfil a campaign promise to provide housing for more than four million slum dwellers, the state launched the ambitious Slum Rehabilitation Scheme (SRS) in the mid-1990s (Banerjee-Guha, 2002). Although the program has moved slowly, thousands of families have been moved into tenements in seven-story buildings throughout the city. According to the scheme, a community of slum dwellers is supposed to seek out a builder to construct a mid-rise building on the site of the original slum settlement. Once arrangements are made, the builder is obligated to construct the building and pay maintenance fees for 10 years. In exchange, the builder receives additional land on which to build market-rate properties. Given that the program was first launched during the height of Mumbai's real estate boom in the mid-1990s, there was initially considerable interest from the builders to participate in the scheme (Mukhija, 2003; Risbud, 2003). As prices declined in the late 1990s, many builders withdrew from the scheme, leaving many buildings unfinished. But in parts of the city in which land prices have remained high, builders have been eager to construct housing for slum dwellers in exchange for market-rate land. Although the SRS stipulates that the scheme be initiated by residents, builders frequently approach slum dwellers to propose rehabilitation projects. In some cases, residents have to be 'persuaded' into accepting the plan and many builders employ goondas to help coerce residents with the threat of violence.

In one such resettlement project currently underway in Dharavi, an SRS construction was left unfinished in the late 1990s. Although the residents moved into the building, they had to temporarily share flats because the upper floors were still uninhabitable. After this 'temporary' situation went on for more than seven years, the residents began to work with activists and government officials to pressure the builder to complete construction. A resident explains:

This is when Babu began coming around. He is the builder's right hand man. Once we started complaining, the builder started using *goondagiri*. We haven't seen the builder; he is nowhere to be found. But Babu has been threatening to evict us and use violence against us if we don't stop complaining.

In this case, the use of *goondagiri* has proved an effective strategy for some of the residents, who now patiently waiting for the builder to complete construction. But other residents claim that they do not fear the goondas and are continuing to press for completion of the building.

*Goondagiri* has reportedly become a standard mode of operation within the SRS. Under this program, goondas appear to be assuming new roles vis à vis the state, private developers, and residents. With the state now taking an active role to clear slum lands and work with builders to construct slum housing and market rate properties, goondas — still operating in a patron role, yet now serving a different set of clients — have begun working with the state to help implement the scheme.

These changing relations can also be identified in recent efforts to clear public lands of street vendors and establish designated 'hawking zones'. As part of these efforts, the BMC recently commissioned a study to document the activities of the hawkers on municipal land, thereby revealing established networks between street vendors,



municipal administrators and local goondas. The study, conducted in the late 1990s, counted more than a 100,000 vendors working on BMC land, finding that vendors were often forced to pay the police weekly graft, or *hafta*, to avoid fines (R.N. Sharma, 2000). Working through goondas, however, helped hawkers avoid these payments. Researcher R.N. Sharma (2000: 50) explains:

The mafia owned several handcarts, which were rented to the hawkers on a daily payment for selling specific goods. The owners were influential goons of the area who made a sizable profit by renting out the carts (and supplying the goods). The handcarts carried a distinct identification mark known to the police and BMC staff. Hawkers using such carts were not harassed by government staff since a part of the profits appropriated by the local goons were transferred as *hafta*.

With the BMC now clearing public lands of hawkers, both as part of 'beautification' efforts and to prepare the lands for sale and development, the networks are being exposed and are undergoing transformation.<sup>8</sup> Similar efforts to clear public land of vendors in Kolkata in 1996, under the notorious Operation Sunshine which forcibly removed more than a hundred thousand street vendors from Kolkata's streets in a single night, were recognized to employ the strong arm tactics of goondagiri (Bhowmik, 2006). Justified by moral statements, asserting the need to combat the growing power of the land mafias and goondas, the implementation of such schemes ironically appears to be carried out with the help of the very same land mafias.

Identifying some of these ambiguities, researcher Solomon Benjamin (2005: 251) writes:

For the Master Planners, these are the 'illegal' operatives catering to the Ghost that haunts the image of the planned and orderly city; for the elite, these are touts, the land encroachers and builders, and land mafia of unauthorised construction, the slums staining the imaginary of the grand plan and thus to be cleared away.

Yet with OCGs increasingly working with government administrators to acquire land and permits to construct high-end developments and goondas acquiring a new role in the context of SRS and land clearance initiatives, the boundaries between 'master planners' and 'illegal operatives' appear to be breaking down (Dhareshwar and Srivatsan, 1996). Amidst these shifting boundaries between formal and informal governance, OCGs and goondas have assumed new roles within Mumbai's development industry. Exploiting and helping to define the city's regulatory context, those actors who grew powerful outside of regulatory frameworks are now helping to define them.

## Conclusion

Mumbai's development mafias and smaller scale goondas grew powerful in the context of this city's strict regulatory context. While development regulations and land reservations — paired with government inactivity and misguided strategies to curb rapid urbanization — prevented the construction of adequate housing for the growing number of workers, enterprising goondas constructed low-cost housing. Although they garnered state support with the payment of bribes and use of goondagiri, the state also chose to 'supportively neglect' these activities because they addressed the city's housing shortage

8 The designated 'hawking zones' that the BMC seeks to create will contain the activities of vendors to designated plots, out of the way of formal commercial establishments and, as vendors fear, pedestrian traffic. A powerful group of business owners and elite civic organizations are backing these efforts, while a comparatively weaker resistance is being mounted by vendors and local goondas (Bhowmik, 2006).

with minimal public expenditure. As development schemes are now being promoted to leverage Mumbai's competitive position, the state has similarly chosen to 'supportively neglect' the large-scale construction activities of the city's development mafias, including the shopping centres being built under the noses of local politicians and police officials. Most of the development activity currently underway in Mumbai is not mafia backed, however, and represents the growth of a legitimate property development industry, strengthened by regulatory reforms and the expansion of the finance sector of the past 15 years. But OCG property development activities have emerged alongside and intertwined with the growth of the industry as a whole.<sup>9</sup> As the stakes of urban development in Mumbai have increased, the state has not only allowed OCGs to acquire and develop prime properties, but development authorities have increasingly employed both major OCGs and more local goondas to help clear lands and promote redevelopment schemes. With both the stakes and pace showing no signs of abating, amidst a more concerted effort to use urban development to bolster the city's competitive position, it is likely that OCGs will build on the power they have acquired in this domain and concentrate more resources on these activities.

The globally oriented developments underway in Mumbai — designed to clear informal settlements and develop urban land to meet the commercial, residential and consumptive demands of the financial services sector and its employees — are growing increasingly common in cities throughout the world. Although the discussion in this article has been limited to Mumbai, parallels can certainly be drawn to other cities, in which altered regulatory contexts, and heightened development activity have facilitated the criminality of land and property development. While particular social and economic histories and distinct political institutions and regulatory contexts facilitated the integration of OCGs within Mumbai's development industry, this phenomenon is not unique to this context. Further research and comparative case studies would be required before generalizations can be made, but this article represents an attempt to document an instantiation of the informal governance practices shaping property relations in one particular globalizing city.

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<sup>9</sup> It is worth mentioning that the majority of Mumbai's major property developers do not have connections to OCGs. Although allegations periodically surface of such connections — arising because of the rather flippant use of the term 'land mafia' by media and housing rights advocates — such claims have not been substantiated. While it has been suggested that a majority of the financing for Bollywood now comes from OCGs or other illicit sources, the same thing cannot be said of Mumbai's real estate and construction industries.

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## Résumé

*Depuis plus d'une décennie, les chercheurs ont analysé les effets de la libéralisation et de la mondialisation sur l'aménagement urbain en étudiant les implications politiques locales de transformations effectuées à l'échelle nationale et planétaire. Prenant le cas de Mumbai, cet article examine comment les réformes politiques des quinze dernières années en Inde ont reconfiguré les marchés immobiliers et les politiques d'aménagement*

*foncier. Parmi les nouveaux acteurs, les syndicats du crime locaux, opérant souvent dans des réseaux internationaux, ont saisi les occasions politiques créées par ces changements pour gagner en influence sur l'aménagement foncier. A Mumbai, l'activité accrue du crime organisé dans les années 1950 était étroitement liée aux politiques macroéconomiques de l'Inde, une réglementation stricte des importations alimentant l'essor de la contrebande sur le marché noir. Depuis le début des années 1990, libéralisation et déréglementation ont réduit la demande pour les biens de consommation de contrebande, poussant les syndicats du crime à diversifier leurs opérations. Face à la montée en flèche des prix de l'immobilier dans les années 1990, aidée par la spéculation foncière mondiale, la mafia a investi dans la promotion immobilière. Soutenue par un réseau illégal de politiciens, bureaucrates et policiers, elle est donc devenue un personnage central des politiques d'urbanisme à Mumbai. L'article étudie les transformations structurelles qui ont facilité la criminalisation du secteur foncier, et les implications de la présence de la mafia dans la politique locale.*